

From: "Quilon, Rudy L CIV Operations Dept, (EFDSW)" <rudy.quilon@navy.mil>
To: "Gray (E-mail)" <Gray@wapa.gov>
Date: 2/12/04 2:41PM
Subject: FW: Parker Davis Project Contract Extension Amendment

Hello Jean,

Please see our counsel's comments below in regards to section 12 of WAPA draft contract specifics to Marines Corps Air Station (MCAS) Yuma.

In summary, the Navy desires WAPA to consider not to change Navy's status as a customer in the event that MCAS Yuma is privatized and to provide stipulation in the contract to reflect as such.

Please give me a call if you have any questions or a need to further discuss the matter.

Thanks,
Rudy Quilon
(619) 532-3972

-----Original Message-----

From: Johansen, Scott W CIV (NFECSW)
Sent: Thursday, February 12, 2004 8:39
To: Quilon, Rudy L CIV Operations Dept, (EFDSW)
Subject: WAPA Draft Contract

Rudy:

At your request, the following will provide you with my comments regarding Section 12 of the draft WAPA contract with respect to the Navy's current utilities privatization program.

Under 10 U.S.C. § 2688, the Navy is authorized to convey all right, title and interest in a Navy electric utility distribution system to a municipal, private, regional, district, or cooperative utility company or other entity. Once an electric utility distribution system is conveyed, the Navy will enter into a contract, typically with the new owner of the electric distribution system, to obtain electric distribution services. The intent of utilities privatization is to only convey title or a leasehold interest in an electric distribution system to a non-federal government entity and for the Navy to retain responsibility for purchasing the electric commodity and to continue to be recognized as the customer of record for the acquisition and payment of the electric commodity. The Navy is currently conducting a study to determine whether or not to privatize the MCAS Yuma electric distribution system.

Section 12 of the draft WAPA contract provides that WAPA may "adjust Western's firm electric service obligations" under the contract "if the Contractor's (Navy's) status as a customer changes in some manner" The enumerated examples of the manner in which the Navy's "status as a customer" would change would not appear likely to apply to the Navy. Further, if the electric distribution system at MCAS Yuma was privatized, the Navy would suggest that the Navy's "status as a customer" has not changed. However, WAPA may interpret Section 12 of the draft WAPA contract so that if the electric utility distribution system at MCAS Yuma was privatized, the Navy's "status as a customer" would change.

Currently, it is uncertain whether the MCAS Yuma electric utility distribution system will be privatized. Nevertheless, we may want to consider specifying in the WAPA contract the respective rights and obligations of the Navy and WAPA in the event the MCAS Yuma electric utility distribution system is privatized. If WAPA interprets Section 12 of the draft WAPA contract so that the Navy's "status as a customer" would change if the electric utility distribution system at MCAS Yuma was privatized, then Section 12 of the draft WAPA contract should include a provision stating that the Navy's "status as a customer" will change if the title or leasehold interest of a Navy electric utility distribution systems is conveyed. On the other hand, if WAPA interprets Section 12 of the draft WAPA contract to mean that privatization of a Navy electric utility distribution system pursuant to a transfer of title or leasehold interest

would not change the Navy's "status as a customer," then the WAPA contract should so explicitly provide.

If you have any questions, please do not hesitate to contact me.

Scott W. Johansen
(619) 532-4081

-----Original Message-----

From: Laura Soto [mailto:Soto@wapa.gov]
Sent: Tuesday, February 10, 2004 10:55
To: mschwartz@aepco.coop; plummernw@aol.com; ndlselec@citlink.net;
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Cc: Jean Gray
Subject: Parker Davis Project Contract Extension Amendment

Western is still in the process of considering the issues and proposed language options that have been submitted with regard to Section 12, Transfer of Interest.

Comment letters submitted to date have been posted to the website at <http://www.wapa.gov/dsw/pwrnkt>.

Western would like to hear your thoughts, concerns and recommendations on Section 12, Transfer of Interest based on the proposal presented by Western at our January 16, 2003 meeting and subsequent discussions among various customer groups. The time for submission of comments will close on February 12, 2004.

After consideration of comments received, Western will circulate Section 12, Transfer of Interest language.

If you have any questions or would like to discuss this further, please feel free to call me at (602) 352-2555.

Jean Gray
Western Area Power Administration
Desert Southwest Region
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for Power Marketing

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